

City of El Paso, Texas

Single Audit Reports

Year Ended August 31, 2013

City of El Paso, Texas
Year Ended August 31, 2013

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City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Farmers' Market Promotion Program	U.S. Department of Agriculture	10.168		\$ 31,955
Special Supplemental Nutrition Program for Women, Infants, and Children	U.S. Department of Agriculture/Texas Department of State Health Services	10.557	2010-033688-001 2011-037164-001 2012-039990-001 N/A	660 (29) 610,816 <u>6,293,419</u> <u>6,904,866</u>
	Total U.S. Department of Agriculture			<u>6,936,821</u>
Broadband Technology Opportunities Program	Department of Commerce National Telecommunications and Information Administration	11.557	48-42-B10570	<u>2,265,277</u>
	Total Department of Commerce			<u>2,265,277</u>
<i>CDBG - Entitlement Grants Cluster</i> Community Development Block Grants/Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	B-08-MN-48-0003 B-09-MC-48-0015 B-10-MC-48-0015 B-11-MC-48-0015 S-11-MC-48-0005 N/A	1,661,242 (924) 1,626,487 1,838,657 (928) 4,112,873 <u>9,237,407</u>
	<i>Total CDBG - Entitlement Grants Cluster</i>			<u>9,237,407</u>
<i>CDBG - State-Administered Small Cities Program Cluster</i> Emergency Shelter Grants Program	U.S. Department of Housing and Urban Development	14.231	N/A S-12-MC-48-0005	534,046 <u>27,442</u> 561,488

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development	14.239	HOME PI	\$ 699,273
			M-04-MC-48-0213	43,851
			M-05-MC-48-0213	428,297
			M-07-MC-48-0213	(4,387)
			M-08-MC-48-0213	260,117
			M-09-MC-48-0213	433,969
			M-10-MC-48-0213	79,731
			M-11-MC-48-0213	77,556
			N/A	312,744
				<u>2,331,151</u>
Housing Opportunities for Persons with AIDs	U.S. Department of Housing and Urban Development	14.241	TXH11F006	(2,784)
			N/A	<u>332,229</u>
				329,445
Empowerment Zones Program	U.S. Department of Housing and Urban Development	14.244	EZ99TX0013	488,034
			N/A	<u>(660)</u>
				<u>487,374</u>
Total U.S. Department of Housing and Urban Development				<u>12,946,865</u>
Juvenile Accountability Block Grants	U.S. Department of Justice/Texas Office of the Governor - Criminal Justice	16.523	N/A	27,154
			2311102	<u>3,440</u>
				30,594
Crime Victim Assistance	U.S. Department of Justice/Texas Office of the Attorney General	16.575	2095102	(2,820)
			2095103	(3,166)
			N/A	<u>222,963</u>
				216,977

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Bulletproof Vest Partnership	U.S. Department of Justice	16.607	Bulletproof Vest Program	\$ 12,276
Public Safety Partnership and Community Policing Grants	U.S. Department of Justice	16.710	2008CKWX0362 2009CKWX0615	451,423 <u>1,950</u> 453,373
Edward Byrne Memorial Justice Assistance Grant Program	U.S. Department of Justice/County of El Paso & Texas Office of the Governor - Criminal Justice Division	16.738	2009-DJ-BX-1374 2010-DJ-BX-1416 N/A	19,764 11,293 <u>67,997</u> 99,054
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Local Government	U.S. Department of Justice/Texas Office of the Governor - Criminal Justice Division	16.803	2329301	(931)
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Governments	U.S. Department of Justice	16.804	2009-SB-B9-3086	<u>84,349</u>
	Total U.S. Department of Justice			<u>895,692</u>
Airport Improvement Program	U.S. Department of Transportation	20.106	Various	706,154
Recreational Trails Program	U.S. Department of Transportation	20.219		1,200

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
<i>Federal Transit Cluster</i>				
Federal Transit - Formula Grants	U.S. Department of Transportation	20.507	TX-04-0058	\$ 297
			TX-04-0077	4,288
			TX-37-X043	219,051
			TX-37-X055	336,484
			TX-37-X068	305,012
			TX-37-X077	77,571
			TX-37-X078	49,241
			TX-37-X093	91,550
			TX-57-X018	21,309
			TX-57-X024	52,065
			TX-57-X025	866
			TX-57-X037	89,670
			TX-90-X454	25,819
			TX-90-X573	595,835
			TX-90-X662	93,199
			TX-90-X783	9,063
			TX-90-X812	133,337
			TX-90-X841	17,896
			TX-90-X893	140,599
			TX-90-X944	577,958
			TX-90-X985	236,827
			TX-95-X015	2,970
			Various	13,918,169
			No Draw FY13	<u>(266,342)</u>
				16,732,734
ARRA - Federal Transit - Formula Grants	U.S. Department of Transportation	20.507	TX-96-X035	<u>103,735</u>
	<i>Total Federal Transit Cluster</i>			16,836,469
	Total U.S. Department of Transportation			<u>17,543,823</u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Grants to States	Institute of Museum and Library Services/ Texas State Library and Archives Commission	45.310	470-11026 476-11028 476-12001 N/A	\$ 15,385 <u>15,385</u>
National Leadership Grants	Institute of Museum and Library Services	45.312		42,916
	Total Institute of Museum and Library Services			<u>58,301</u>
Air Pollution Control Program Support	Environmental Protection Agency	66.001	G3412180 G_341318	8,332 <u>222,058</u> 230,390
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Protection Agency/Texas Commission on Environmental Quality	66.034	G3411210 G3412210	(4,418) <u>276</u> (4,142)

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Performance Partnership Grants	Environmental Protection Agency/Texas Commission on Environmental Quality	66.605	G341316R	\$ 139,409 <u>139,409</u>
	Total Environmental Protection Agency			<u>365,657</u>
ARRA - Energy Efficiency and Conservation Block Grant Program	U.S. Department of Energy	81.128	EE0000964	<u>29,338</u>
	Total U.S. Department of Energy			<u>29,338</u>
Public Health Emergency Preparedness	Department of Health and Human Services/Texas Department of State Health Services	93.069	N/A 2011-038670-001 2011-038678-001 2011-038811-001 N/A	658,230 (2,170) 2,224 94,997 <u>42,744</u> 796,025
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Department of Health and Human Services/Texas Department of State Health Services	93.116	2010-034144-001 2012-040156-001 N/A	(2) (4,158) <u>284,317</u> 280,157

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Cluster/Program	Pass-Through Entity	Number	Number	Expended
Abstinence Education Program	Department of Health and Human Services	93.235	201204888	\$ 22,978
			N/A	<u>140,555</u>
				163,533
Drug-Free Communities Support Program	Department of Health and Human Services	93.276		412
Centers for Disease Control and Prevention - Investigations and Technical Assistance	Department of Health and Human Services/ Texas Department of State Health Services	93.283		73,635
Infant Adoption Awareness	Department of Health and Human Services	93.524		41,367
National Bioterrorism Hospital Preparedness Program	Department of Health and Human Services	93.889	2011-038406-001	302
			N/A	<u>28,798</u>
				29,100
HIV Prevention Activities - Health Department Based	Department of Health and Human Services/Texas Department of State Health Services	93.940	2012-040428-001	140,146
			2012-040466-001A	(3,788)
			N/A	<u>777,765</u>
				914,123
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Department of Health and Human Services/Texas Department of State Health Services	93.944	2012-040379-001	(764)
			N/A	<u>39,302</u>
				38,538
National Health Promotion Program	Department of Health and Human Services	93.99		191,442
Maternal and Child Health Services Block Grant to the States	Department of Health and Human Services/Texas Department of State Health Services	93.994	DSHS 2012-039349-001	(3,968)
			DSHS 2009-029529-001	(354)
			N/A	<u>243,720</u>
				239,398
Total U.S. Department of Health and Human Services				<u>2,767,730</u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Retired and Senior Volunteer Program	Corporation for National and Community Service/Texas Department of Aging and Disability Services	94.002	11SRWTX009 12RZWTX027 12SRWTX009 N/A	\$ 43 18,682 89,526 <u>550,333</u> 658,584
<i>Foster Grandparent/Senior Companion Cluster</i> Foster Grandparent Program	Corporation for National and Community Service/Texas Department of Aging and Disability Services	94.011	11SFWTX003 12FZWTX007	962 <u>53,670</u> <u>54,632</u>
Total Corporation for National Community Service				<u>713,216</u>
High Intensity Drug Trafficking Areas Program	Executive Office of the President	95.001	G10SW0007A G11SW0007A G12SW0007A55 G12SW0007A56 G12SW0007A57 G12SW0007A58 G12SW0007A59 G12SW0007A60 G12SW0007A61 G12SW0007A63 G12SW0007A65 N/A	12 110,035 1,495,220 170,507 419,783 172,916 24,737 20,139 8,267 5,401 62,395 <u>76,913</u> 2,566,325
Total Executive Office of the President				2,566,325
<i>Homeland Security Cluster</i> Homeland Security Grant Program	U.S. Department of Homeland Security	97.067	2011-SS-0019 2011-SS-00019 2010-SS-T0-0008 2010-SS-T0-8-01 2010-SS-T0-8-02 2010-SS-T0-8-03 2010-SS-T0-8-04 2010-SS-T0-8-05 2010-SS-T0-8-06 2010-SS-T0-8-07 2010-SS-T0-8-08 2010-SS-T0-8-09 2010-SS-T0-8-10 2010-SS-T0-8-11 2010-SS-T0-8-12 N/A N/A N/A	1,833,188 166,145 (66,624) 207,953 161,212 789,292 556,279 365,338 (504,737) 291,613 498,198 14,559 (9) 15,329 816,880 21,000 74,330 <u>208,372</u> 5,448,318
Metropolitan Medical Response System	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.071	2010-SS-T0-8-13	31,955
Homeland Security Biowatch Program	Department of Homeland Security	97.091	G3412190	<u>(81)</u>
<i>Total Homeland Security Cluster</i>				5,480,192

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Non-Profit Security Program	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.008	2009-SS-T9-0064	647,577
Emergency Management Performance Grants	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.042	12TX-EMPG-0778 N/A	\$ 107,674 17,588 <u>125,262</u>
Assistance to Firefighters Grant	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.044	EMW2011FH5 EMWFH00553	201,796 <u>1,054,732</u> 1,256,528
State Homeland Security Program	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.073	2010-SS-T0-8-14 2010-SS-T0-8-15 N/A	27,140 117,337 <u>36,128</u> 180,605
Buffer Zone Protection Program (BZPP)	U.S. Department of Homeland Security/ Texas Department of Public Safety	97.078	09-GA-BZ-24000 N/A	205 <u>314,089</u> 314,294
	Total U.S. Department of Homeland Security			<u>8,004,458</u>
Total Federal Awards Expended				<u>55,093,503</u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
Texas Department of State Health Services		
Regional and Local Services System/Local Health Services		\$ (2,623)
<i>Division of Prevention and Preparedness</i>		
Infectious Disease Control	2012-038651	559
Immunization	2012-039044-001A	94,399
Immunization - Locals		1,721,775
Tuberculosis Prevention and Control	2011-035279-001A	(371)
Tuberculosis Prevention and Control	2010-032852-001	(68)
Tuberculosis Prevention and Control	2012-039044-001	1,392
Tuberculosis Prevention and Control		705,448
<i>Total Division of Prevention and Preparedness</i>		<u>2,523,134</u>
Area Info Center	N/A	240,937
Area Info Center - HHSC	529-07-0105-00024E	(2,001)
Area Info Center - HHSC	529-11-0001-00024	6
Area Info Center - HHSC	529-11-0001-0024	629
		<u>239,571</u>
Total Texas Department of State Health Services		2,760,082

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
Texas Commission on the Arts		
TCA Education		\$ 400
TCA Operation		14,728
TCA Sub Granting		29,820
		<u>44,948</u>
Texas Department of Housing and Community Affairs		
Homeless Housing and Services Program (HHSP) HTF	66120001331	244,418
Homeless Housing and Services Program (HHSP) Bond	66120001331	83,463
Homeless Housing and Services Program (HHSP) TRS	66120001331	270,539
Neighborhood Stabilization Program	77090000112	(136)
<i>Total Department of Housing and Community Affairs</i>		<u>598,284</u>
Council of Texas Archeologists		
Honoring Our Ancestors - The Tigua		500
Humanities Texas		
Riders on the Orphan Train Program		1,249
Texas Juvenile Justice Department		
Juvenile Diversion Program		48,195
Texas Auto Burglary and Theft Prevention Authority		
Auto Burglary and Theft Prevention Program		(8,406)
Texas Department of Public Safety		
Local Border Security Program		233,479
Department of Housing and Urban Development		
Urban Development Action Grant		12,543
Total State Awards Expended		<u><u>3,690,874</u></u>
Total Federal and State Awards Expended		<u><u>\$ 58,784,377</u></u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Notes to Schedule

1. This schedule includes the federal and state awards activity of all federal and state financial assistance programs of the City of El Paso, Texas, and is presented on the cash basis of accounting, except for the FAA Airport Improvement grant and the FTA Capital and Planning grants, which use the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The accompanying schedule of expenditures of federal and state awards presents activity of all federal and state financial assistance programs of the City for the year ended August 31, 2013, except for the financial assistance received by the Public Service Board – El Paso Water Utilities. The City’s reporting entity is defined in *Note 1(A)* of the City’s basic financial statements. Federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other entities, are included on the schedule of expenditures of federal and state awards.

2. Amounts reported in the accompanying schedule of expenditures of federal and state awards may not agree with the amounts reported in the related federal and state financial reports filed with grantor agencies because of accruals that would be included in the subsequent reports filed with the agencies.
3. Of the federal and state expenditures presented in this schedule, the City provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
State Subrecipient Awards			
Homeless Housing and Services Program (HHDP)	N/A	Various	\$ 270,539
Total State Subrecipient Awards			<u>\$ 270,539</u>

City of El Paso, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended August 31, 2013

Program	CFDA Number	Subrecipient	Amount Provided
Federal Subrecipient Awards			
<i>CDBG Entitlement Cluster</i>			
Community Development Block			
Grants/Entitlement Grants	14.218	Various	\$ 758,486
Emergency Shelter Grants Program	14.231	Various	544,046
Housing Opportunities for		International	
Persons with AIDs	14.241	AIDS Empowerment	319,260
Empowerment Zones Program	14.244	Various	<u>335,175</u>
Total Federal Subrecipient Awards			<u><u>\$ 1,956,967</u></u>

4. The City administers federal loan programs. These programs are initiated with a grant of federal funds and are sustained after the original money is distributed in loans by using principal payments for subsequent loans to qualified borrowers. The interest received is considered to be program income and is used to pay administrative costs associated with the programs as well as for subsequent loans. As of August 31, 2013, outstanding principal balances of these loans were as follows:

Federal Grantor/Program Title	CFDA Number	Loans Receivable Principal
Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	\$ 7,070,807
HOME Investment Partnerships Program	14.239	23,082,122
Empowerment Zones Program	14.244	<u>1,780,862</u>
Total revolving loans		<u><u>\$ 31,933,791</u></u>

5. During fiscal year ended August 31, 1992, the City received a \$3,000,000 federal loan for construction work on the International Zaragosa Bridge. The balance of the loan at August 31, 2013 is \$850,000.
6. The accompanying schedule reflects certain adjustments resulting from fiscal adjustments to closed grants and transfers between grants. As a result, certain grants show negative expenditures.
7. Federal and state financial assistance programs are reported in the City's financial statements primarily in the Community Development Block Grants and Nonmajor Governmental Funds. Certain programs are included in the enterprise funds, of which certain grants are reported as capital contributions in the Income (Loss) Before Capital Contributions and Transfers section of the Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit) Proprietary Funds.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards and the State of Texas Uniform Grant
Management Standards**

The Honorable Mayor and Members of the City Council
City of El Paso, Texas
El Paso, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State of Texas *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Planning, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of El Paso, Texas (the City) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 28, 2014, which contained a reference to the reports of other auditors and an "Emphasis of Matter" paragraph regarding a change in accounting principles. The financial statements of the El Paso City Employees' Pension Fund, a fiduciary fund included within the aggregate remaining fund information, were not audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. Other auditors audited the financial statements of the El Paso Housing Finance Corporation and the Public Service Board - El Paso Water Utilities, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the El Paso Firemen and Policemen's Pension Fund, a fiduciary fund included within the aggregate remaining fund information, were not audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. The financial statements of the El Paso Housing Finance Corporation and the Public Service Board - El Paso Water Utilities were not audited in accordance with the State of Texas *Uniform Grant Management Standards*.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or State of Texas *Uniform Grant Management Standards*.

Other Matters

We noted certain matters that we reported to the City's management in a separate letter dated February 28, 2014.

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
February 28, 2014

**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal and State Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal and State Awards in Accordance with OMB Circular A-133 and the State of Texas
*Uniform Grant Management Standards***

The Honorable Mayor and Members of the City Council
City of El Paso, Texas
El Paso, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of the City of El Paso, Texas (the City) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2013. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above.

The City's basic financial statements include operations of the Public Service Board – El Paso Water Utilities (EPWU), a discretely presented component unit of the City, which received \$694,852 in federal awards for the year ended February 28, 2013, which are not included in the schedule during the year ended August 31, 2013. Our audit, described below, did not include the operations of the EPWU because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas *Uniform Grant Management Standards*. Those standards, OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

Opinion on Each Major Federal and State Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2013.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with the State of Texas *Uniform Grant Management Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on the major state program is not modified with respect to this matter.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Other Matter

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of El Paso, Texas as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 28, 2014, which contained an unmodified opinion on those financial statements and a reference to the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State of Texas *Uniform Grant Management Standards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
April 23, 2014

City of El Paso, Texas
Schedule of Findings and Questioned Costs
Year Ended August 31, 2013

Summary of Auditor's Results

1. The opinions expressed in the independent auditor's report were:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?

Yes None reported

Material weakness(es)?

Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:

Significant deficiency(ies)?

Yes None reported

Material weakness(es)?

Yes No

5. The opinions expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on major federal awards were:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by OMB Circular A-133?

Yes No

City of El Paso, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2013

7. The City's major federal programs were:

Cluster/Program	CFDA Number
Broadband Technology Opportunities Program	11.557
Community Development Block Grants/Entitlement Grants	14.218
Homeland Security Grant Program	97.067

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,652,805.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

State Awards

10. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on major state awards programs disclosed:

Significant deficiency(ies)? Yes None reported
 Material weakness(es)? Yes No

11. The opinions expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on major state awards were:

Unmodified Qualified Adverse Disclaimer

12. The audit disclosed findings required to be reported by the State of Texas *Uniform Grant Management Standards*: Yes No

City of El Paso, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2013

13. The City's major state programs were:

<u>Cluster/Program</u>
Homeless Housing and Services Program
Tuberculosis Prevention and Control

14. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grants Management Standards* was \$300,000.

15. The City qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*? Yes No

City of El Paso, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2013

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

City of El Paso, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2013

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.

City of El Paso, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2013

Findings Required to be Reported by the State of Texas Uniform Grant Management Standards

Reference Number	Finding	Questioned Costs
2013-01	<u>Tuberculosis Prevention and Control</u> <u>Grant Number 2013-041082</u> <u>Division of Prevention and Preparedness</u>	None

Criteria or Specific Requirement:

Pursuant to the grant agreement, the City shall submit quarterly Financial Status Reports by the last business day of the month following the end of each quarter of the Program Attachment term for Department review and financial assessment.

Condition

The City did not submit the 3rd Quarter Financial Status Report within the required time frame as indicated above.

Context

The submission of the quarterly Financial Status Reports were required to meet grant requirements.

Effect

The requirements of the grant agreement were not met.

Cause

The City did not have adequate controls or procedures in place to ensure the required quarterly Financial Status Reports were being submitted in a timely manner.

City of El Paso, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended August 31, 2013

Reference Number	Finding	Questioned Costs
2013-01 (Continued)	<p><i>Recommendation</i> Policies and procedures should be developed and implemented to ensure required Financial Status Reports are submitted within the required time frame.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> Agree.</p> <p><i>Corrective Action Planned:</i> The Health and Human Services staff have implemented an internal billing deadline 10 days prior to the deadline required by the Department of State Health Services in order to prevent late filings in the future. In addition, the Grants Manager within the Office of the Comptroller will create a schedule of reporting deadlines and require confirmation from the department when reports are filed to help ensure reporting deadlines are met.</p> <p><i>Contact Person Responsible for Corrective Action:</i> Denise Grizzle, Assistant Comptroller</p> <p><i>Anticipated Completion Date:</i> December 31, 2013</p>	

City of El Paso, Texas
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2013

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Status
No matters are reportable.		